Government of
Saskatchewan

Annual Report
2003/2004

Saskatchewan
Grain Car
Corporation

Saskatchewan Centennial 2005

Quick Facts

Quick Facts about the Saskatchewan Grain Car Corporation

as of July 31, 2004

Corporation Established	Oct. 2, 1979
Office	Regina

Board of Directors

Maynard Sonntag, Minister Responsible for the Saskatchewan Grain Car Corporation
Mark Wartman, Minister of Agriculture and Food
John Law, Deputy Minister of Highways and Transportation
Doug Matthies, Deputy Minister of Agriculture, Food and Rural Revitalization

Corporation Staff

Bernie Churko, President
Kelly Moskowy, Manager of Fleet and Administrative Services
Tim Shoulak, Manager of Corporate Planning
Shannon Lindholm, Corporate Analyst
Suzi Best, Executive Administrator

Fleet

Cars in service	939
Cars allocated to CN (SKNX 397000-397476)	442
Cars allocated to CP (SKPX 625000-625522)	497
Cars destroyed to date	61
Car volume	128.8 m3 (4550 ft3)
Car capacity	91 000 kg (201,000 lbs)
Load limit	91 250 kg (201,200 lbs)
Weight (empty)	28 050 (61,840 lbs)
Material	Steel
Lining	Epoxy
Dates built	February, 1981 October, 1981

Governing Legislation & Lease Agreements

The Saskatchewan Grain Corporation Act
Operating Agreement with CN, CP, and CWB
Alternate Use Agreement with CN and CP

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Letter of Transmittal

November 1, 2004

Her Honour the Honourable Dr. Lynda M. Haverstock
Lieutenant-Governor of Saskatchewan

I have the honour to submit herewith the 25th Annual Report of the Saskatchewan Grain Car Corporation for the year ending July 31, 2004 in accordance with *The Saskatchewan Grain Car Corporation Act*. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Maynard Sonntag
Minister Responsible for the
Saskatchewan Grain Car Corporation

President's Message

October 31, 2004

The Honourable Maynard Sonntag
Chairman of the Board

Dear Sir:

As President of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present the Annual Report for the fiscal year ending July 31, 2004.

During the 2003/2004 fiscal year, the SGCC met its primary mandate by supplying hopper cars for the movement of western grain. With the rebound in grain production in western Canada, SGCC hopper car movements to port facilities and domestic locations increased substantially from the past two crop years.

Alternate use revenues reached an all time high, with the SGCC earning $ 1.766 Million in leasing revenues for the year. SGCC management continuously monitors the hopper car movements and during non-peak periods works in cooperation with the railways to make every effort to maximize the utilization of the fleet.

The SGCC continues to provide advisory services to the Saskatchewan agricultural community in the areas of producer car loading and improved grain logistics. The goal of these advisory services is to assist producers in their efforts to reduce overall grain logistics costs, and preserve the rail and road infrastructures of Saskatchewan.

The SGCC hosted a one day meeting of producers and representatives of the Canada Grain Commission (CGC), the Canada Transportation Agency (CTA) and the Canada Wheat Board (CWB) to identify the problems being encountered by producer car shippers in receiving cars and to develop an action plan to eliminate the backlog. The SGCC also provided technical assistance to farmers along the White Fox subdivision in their efforts to resolve a level of service complaint with CPR. Through the CTA mediation process the local producers were able to negotiate a resumption of service to their branch line.

As a board member of West Central Road & Rail Ltd. (WCRR), SGCC participates in new developments in the area of grain logistics. In this fiscal year, in addition to its facilities in Eston and Laporte, WCRR added two more producer car loading facilities at Beachy and Lucky Lake. These modified versions of the original concept will use hopper cars for storage rather than bins. SGCC and WCRR continue discussions on preparing a strategic plan to role out the producer car loading facility concepts to other areas of the province.

The Corporation provides support to the Farmer Rail Car Coalition Inc. (FRCC) in their efforts to acquire the 13,000 Federal hopper cars on behalf of western farmers. The Corporation continued to provide technical consulting services and financial assistance to the FRCC and assisted in presenting the material to the federal government, industry officials and producers throughout the year. The FRCC expanded its membership and has gained support throughout the Prairie Provinces. SGCC believes that FRCC ownership of the Federal hopper car fleet will ensure modern car capacity in the long term at the lowest cost to farmers.

The Corporation was deeply disappointed with the USA decision to impose countervailing duties of imports of both durum and hard spring wheat from Canada. Despite the evidence supplied, a 0.35% countervailing duty has been imposed as a result of the provision of government owned hopper cars. SGCC will continue to work with legal counsel to appeal this decision.

As in the past, I'm very pleased that the Corporation is assisting western Canadian producers transported their grain products to domestic and export destinations. The SGCC continues to support and positively influence Saskatchewan agriculture. The Corporation's staff and I look forward to an exciting and challenging fiscal year in 2004/05.

Bernie Churko
President

Corporate Profile

Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation operating under the authority of the *Saskatchewan Grain Car Corporation Act*.

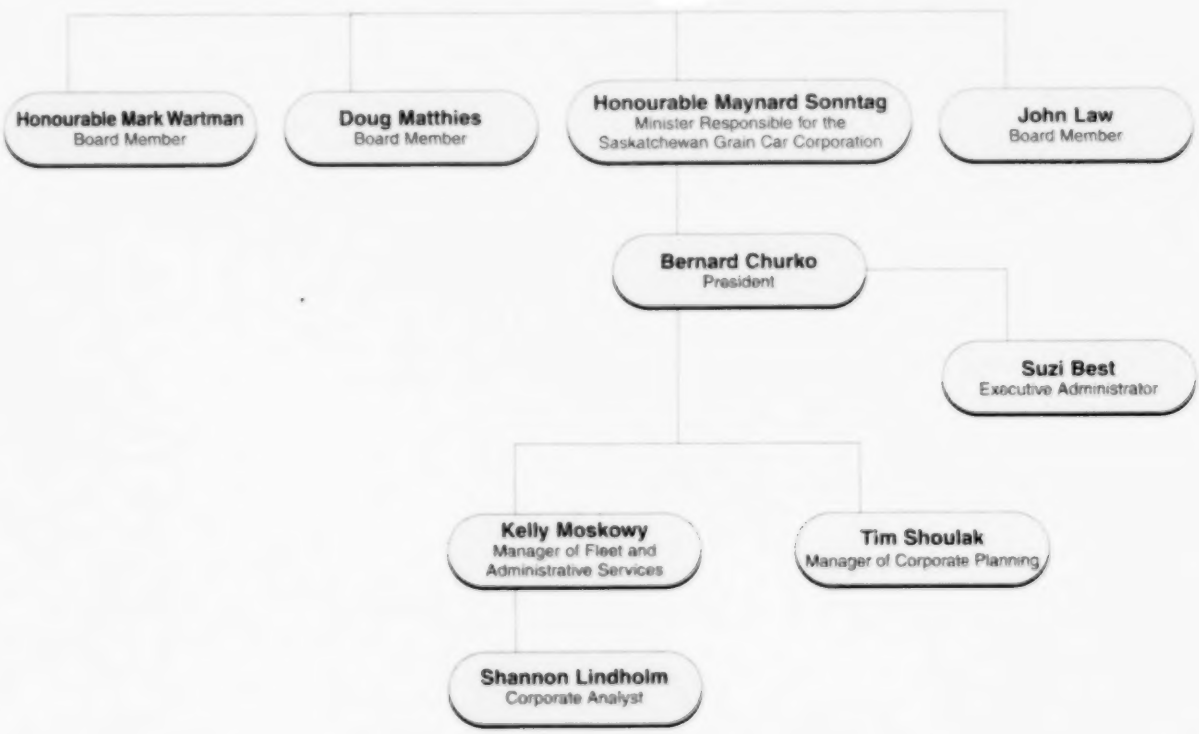
The provision of the Saskatchewan Grain Car Corporation cars in grain service assists the grain industry in meeting its export targets with statutory grain service, and with the movement of grain from country origins across the prairies to inland destinations throughout Canada, the United States, and Mexico with commercial or alternate use grain movements.

Mission

"To maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources."

Organization Chart

as of July 31, 2004



Corporate Report

The Saskatchewan Grain Car Corporation's (SGCC) mission is to use its resources to maximize the economic benefit to Saskatchewan agriculture as a first priority and for other industries and the province in general as a second priority. In order for the Corporation to remain focused on these priorities, management must be centered on the core hopper car fleet management business while keeping abreast and involved in new innovations and developments in the industry.

The 2003/04 year again proved to by a very interesting and challenging time for the Corporation. While the Corporation's main focus was on managing the 939 steel covered hopper cars, a considerable amount of time was also spent on providing advisory services to producers and producer groups on grain handling and transportation initiatives.

Management of the Hopper Car Fleet

The Corporation's management continues to monitor and work with the railways to ensure that the hopper car fleet is being utilized to its maximum potential under the existing operating agreements. The 2003/04 crop year grain volumes rebounded considerably from the previous two years drought in western Canada. As a result, alternate use revenues for grain movements to domestic destinations throughout Canada, the United States and Mexico reached an all time high. In all four quarters, new alternate use revenue records were set resulting in total record revenue of $1,766,041 for the 2003/04 fiscal year.

The Corporation manages the hopper car fleet under the existing 1981 Operating Agreement between Canadian National Railway Company (CN), Canadian Pacific Railway Ltd. (CPR) and the Canadian Wheat Board (CWB) and the 1999 Alternate Use Agreements with each of the railways. The 1981 agreement was dated and included a clause permitting the railways a first right of refusal should the SGCC decide to sell its fleet to any other party. As a result, in May 2004 notice was served to all parties that these agreements would be terminated effective July 31, 2004.

Various leasing options are being considered in the current negotiations with the railways. The Corporation's philosophy on the maintenance of the hopper cars has changed over the last few years. The 1981 Operating Agreement was a net service lease agreement meaning the railways

In the 2003/04 crop year the SGCC focused on the following key activities:

2003/2004 Key Activities

Management of the SGCC

- Record setting alternate use revenues of $1.766 Million.
- SGCC served notice to all parties of the existing operating agreements to terminate effective July 31, 2004.
- The current condition of the hopper car fleet is being examined and SGCC management is working to develop innovative maintenance strategy for the long-term viability of the fleet.

Farmer Rail Car Coalition Inc.(FRCC)

- Financial assistance and technical consulting services provided throughout the fiscal year.
- $94,387 in total assistance; financial assistance of 65,239 and in-kind technical consulting services of $29,148.
- Technical consulting services were used to update the Business and Financial Plan, to meet the due diligence requirements of Federal government, related party relations, financial accounting, management and administration of the initiative.

West Central Road & Rail Ltd. (WCRR)

- The President of SGCC is a Board Member of WCRR.
- Partial facilities at Lucky Lake and Beachy were operational in the fall of 2003.
- 130,000 tonnes shipped from the four facilities located in Eston, Laporte, Lucky Lake and Beachy.

Producer Involvement

- SGCC held a one day meeting with producers and industry representatives to identify producer car issues and put together an action plan to address the issues.
- Technical advisory services provided to producers along White Fox subdivision in a level of service complaint against CPR.

Countervailing Duty Case

- 0.35% countervailing duty has been imposed on government owned hopper cars.
- A 5.29% countervail rate and 8.87% anti-dumping rate imposed on hard spring wheat.
- SGCC will continue to work with the committee and legal counsel to appeal this ruling.

were solely responsible for maintaining the hopper car fleet. SGCC's management is considering other lease options such as a full service lease. The full service lease would allow the implementation of modern asset management maintenance strategies and would also provide an opportunity to ensure that more maintenance is conducted within the province of Saskatchewan.

The Corporation has scheduled a hopper car inspection to be completed on 60 CN and 60 CPR assigned hopper cars in the fall of 2004. This simple inspection will represent approximately 13% of the total hopper car fleet. Management is looking forward to the results of the inspection in order to better understand the current condition of the cars and to plan for future maintenance programs.

Grain Handling and Transportation Advisory Services

In the 2003/04 crop year, SGCC continued its involvement in various western Canadian transportation and grain handling initiatives and projects. Some of the projects and initiatives that the Corporation was involved in over the past year include the following:

Farmer Acquisition of the Federal Hopper Car Fleet

The Farmer Rail Car Coalition (FRCC) continues its efforts to acquire the Federal hopper car fleet on behalf of western Canadian farmers. Over the past eight years, SGCC has provided the FRCC with both financial support and technical consulting services. A funding agreement was signed in the 2002/03 fiscal year to provide up to $450,000 in funding. As of August 1, 2003, $94,387 remained in the funding agreement. These funds were provided throughout the fiscal year and resulting in $65,239 in cash contributions and $29,148 in technical consulting services. Of the entire $450,000 funding agreement, $328,552 was provided in cash contributions and $121,447 in technical consulting services. In the last two years the Corporation has provided financial and technical advisory services in many phases of this initiative including developing and maintenance of the Business Plan and Financial Plan, meeting the due diligence requirements of the Federal Government, industry and government relations, financial accounting, and general management and administration of the project. SGCC is optimistic that a positive decision will be forthcoming in the 2004/05 fiscal year.

West Central Road & Rail Ltd.

As an equity investor in West Central Road & Rail Ltd. (WCRR), the Corporation is accountable to the Province of Saskatchewan to monitor the performance of WCRR. The President of SGCC is a member of the Board of Directors and as such, is involved in monitoring day to day operations and assessing new projects and initiatives. The 2003/04 crop year proved to be another busy year. WCRR had two partial facilities come on stream in Lucky Lake and Beechy in the fall of 2003 to compliment the two existing facilities in Laporte and Eston. The two partial facilities differ from the other facilities in that they have no on-site storage so grain is loaded directly to the rail car. For the third straight year, production continued to be below average in the area surrounding the four WCRR facilities. Lucky Lake and Beechy were hit especially hard with drought, reducing production drastically. In spite of reduced production, WCRR still managed to ship 130,000 tonnes between the four facility catchment areas. This was achieved while facing $10 to $14 trucking incentives from competitors. WCRR is anxious to see the result of having producer interest match up with at least normal production. Grain optimization opportunities were limited due to the consistently high quality grain in all WCRR production areas. SGCC and WCRR continue to discuss a strategy for rolling out the WCRR concept to other areas in Saskatchewan.

Producer Cars

The SGCC organized a one day meeting with producers and representatives from the Canadian Grain Commission (CGC), the Canadian Transportation Agency (CTA) and the Canadian Wheat Board (CWB) to discuss producer concerns respecting shortages in producer car orders and to put together an action plan to eliminate the backlog in the system. The response from both the producers and the representatives at this meeting was very positive. SGCC's management was also involved in providing advisory services to producers along the White Fox subdivision, northwest of Nipawin, in their level of service complaint against CPR. Through the CTA mediation process these producers were able to negotiate a resumption of service to the subdivision.

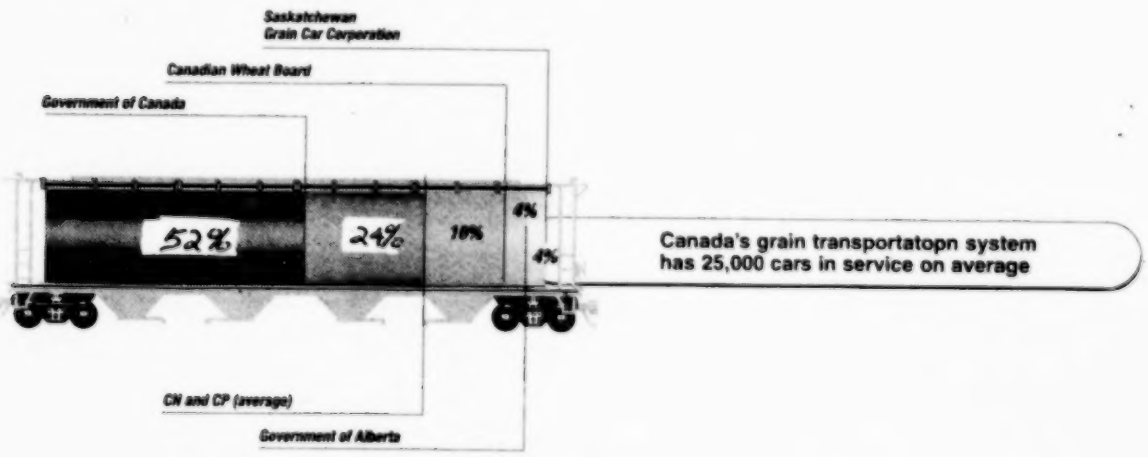
US Countervail on Wheat

The SGCC is a member of the committee formed to coordinate the Saskatchewan government's efforts to oppose the anti-dumping and countervailing duties on durum and hard red spring wheat filed by the North Dakota Wheat Commission (NDWC) and the U.S. Durum Growers Association (USDGA). In 2002/03 the committee contracted legal council in the USA to defend against the allegations. On August 29, 2003, the Department of Commerce announced affirmative final determinations in it's countervail and anti-dumping investigations on durum and hard red spring wheat. The outcome was a final countervail rate of 5.29% for durum and hard red spring wheat; final anti-dumping rates of 8.26% for durum; and 8.87% for hard red spring wheat. As part of its final determination the Department of Commerce concluded that the provision of government owned hopper cars constituted a countervailable subsidy of 0.35% on hard red spring wheat. On October 3, 2003, The United States International Trade Commission (ITC) announced its decision respecting whether the US industry was materially damaged by the sale of Canadian wheat and durum. The ITC ruled that the U.S. industry is materially injured by reason of imports of hard red spring wheat from Canada. As a result, the duties as calculated by the Department of Commerce came into force on imports of hard red spring wheat. The ITC made negative determinations with respect to imports of durum wheat from Canada. As such no duties were imposed. The Government of Saskatchewan together with the Governments of Canada and Alberta have undertaken to appeal this ruling to the bi-national panel review under Chapter 19 of the North American Free Trade Agreement.

SGCC had anticipated that the countervail duty would have a negative impact on alternate use revenues. No significant negative impact was apparent in the 2003/04 fiscal year.

Asset Management Workshop

The SGCC hosted an Asset Management Workshop in the fall of 2003 with representatives from various railway maintenance facilities and other interest parties. The workshop was facilitated by Mr. Ray Gerke, CEO of VEMAX Management Inc. and Director, VEMAX International. The workshop was designed to provide the participants with an overview of the asset management framework and strategies and allowed them time to discuss and apply the framework and strategies to the hopper car industry. The workshop participants examined hopper car maintenance and discussed measures of performance, rates of deterioration and responsibilities of the parties in the process. The goal of the workshop was a starting point in developing a comprehensive scheduled maintenance plan which minimizes running repairs and bad orders during peak periods.



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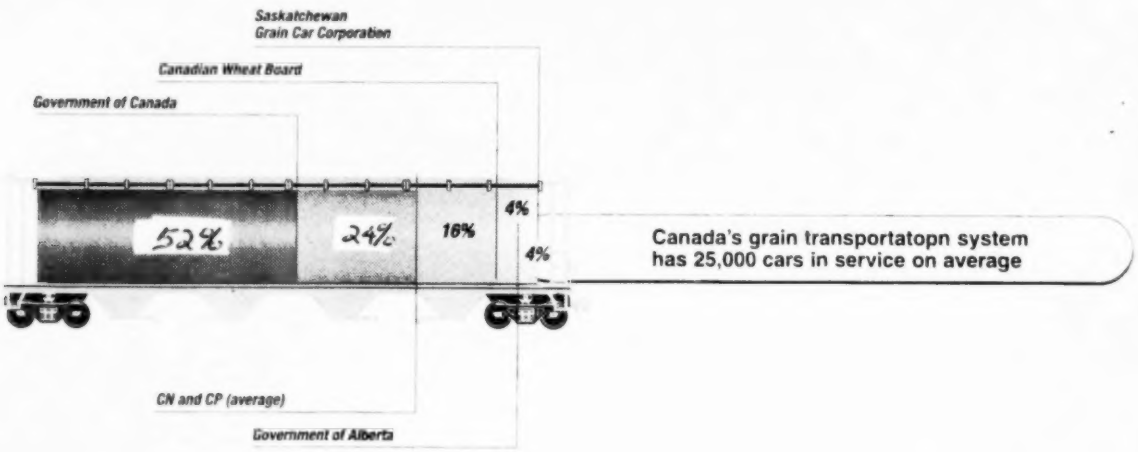


Operations Overview

Crop production rebounded in Western Canada in the 2003/04 fiscal year, resulting in significant increases to both statutory and commercial use of the SGCC hopper car fleet in comparison to the previous two years. The increase in grain volumes resulted in a very prosperous year for the SGCC.

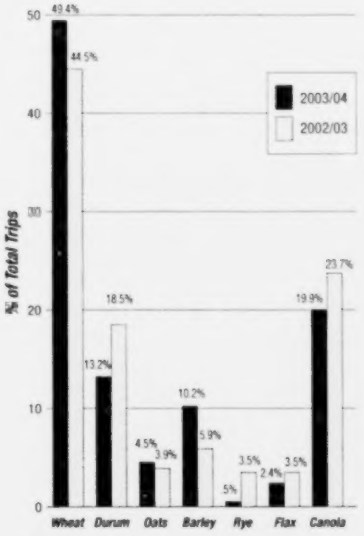
The Corporation's staff continues to use a computerized car tracking system to monitor the day-to-day movements of the fleet enabling them to identify such things as inactive cars, bad orders and determining the destinations of movements for billing purposes. This system has assisted management significantly to identify issues around the timely repair of hopper cars and notification of destroyed cars leased to the railways.

Canadian National Railway Ltd. (CN) and Canadian Pacific Railway Ltd. (CPR) have an assigned percentage of the Corporation's hopper car fleet. This allocation can be adjusted on a bi-annual basis based on the total tonnes handled by each railway in the most recent five year period. At the start of the 2003/04 fiscal year, CN and CPR had 454 and 497 hopper cars assigned, respectively. Throughout the year, CN had 12 destroyed cars due to derailments, leaving them with 442 hopper cars assigned at July 31, 2004. CPR did not report any destroyed cars in 2003/04 fiscal year. A detailed summary of the destroyed cars can be found on page 26 of this report. The railway responsible for a destroyed hopper car is required to compensate the Corporation based on the guidelines defined by the Association of American Railroads (AAR). The compensation received for the destroyed hopper cars is placed into a reserve fund, to be used for the future replacement of the hopper cars.

2003/04 Operations Highlights

- Operating agreement covered 76.7% of all car movements
- 442 hopper cars on CN Lines
- 497 hopper cars on CPR Lines
- 12 hopper cars destroyed
- 61 hopper cars destroyed to date
- 12,718 CWB hopper car movements (1,084,384 tonnes)
- Increase of 64.3% in total movements from 2002/03
- 66.5% increase in total tonnage from 2002/03

Summary of all grain (Statutory and Commercial) movements in SGCC cars 2003/04-2002/03



Summary of all grain (Statutory and Commercial) movements in SGCC cars

	2003/2004		2002/2003	
Commodity	Total Trips	Tonnes	Total Trips	Tonnes
Wheat	6,277	561,965	3,440	305,338
Durum	1,684	151,969	1,432	128,389
Oats	571	42,186	305	22,861
Barley	1,291	105,015	456	35,435
Rye	64	5,346	3	225
Flax	304	22,927	270	20,249
Canola	2,527	194,976	1,833	138,873
Total	12,718	1,084,384	7,739	651,370

The Corporation's hopper car fleet is utilized for both Statutory and Commercial movements. The majority of the movements are Statutory grain movements. They originate in Western Canada and are destined for export through port facilities in Thunder Bay, Churchill, Prince Rupert and Vancouver. These movements are defined in the 1981 Operating Agreement between SGCC, the Canadian Wheat Board (CWB), CN and CPR. The SGCC provides its hopper cars free of charge for all statutory grain movements. The Commercial movements are all grain movements destined to the USA and Mexico or to non-export points in Canada or non-grain commodities, such as potash, to all destinations. Commercial movements are subject to full commercial lease rates. In the 2003/04 fiscal year, Statutory grain service accounted for 76.7% of all the SGCC's car movements while commercial movements made up the remaining 23.3%.

In 2003/04, the Corporation's hopper car fleet moved a total of 12,718 car loads (1,084,384 tonnes) of Canadian Wheat Board (CWB) grain. Hopper car movements increased significantly from the previous year, with an increase in total carloads of 64.3% and in tonnage of 66.5%. This is based on information provided by the CWB on the six major grains.

Statutory Grain Service

Statutory grain service increased significantly due to the increased grain production in western Canada. CWB statistics reported total statutory movements of 9,754 car loads as compared to 5,785 car loads in 2002/03. This is a 68.6% increase in statutory movements of the six major grains. Statutory grain service accounts for 76.7% of all hopper car movements, a slight increase of 2% from the previous two crop years.

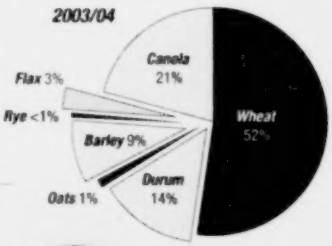
Statutory movements are allowed under the original 1981 Operating Agreement between the SGCC, CN, CPR and CWB in which the rail companies are allowed to use the Corporation's cars free of charge to move the six major grains from the Prairie Provinces to port locations at Thunder Bay, Churchill, Vancouver and Prince Rupert for export. The six major grains covered under the original 1981 agreement included: Wheat/Durum, Oats, Barley, Rye, Flax, and

2003/04 Statutory Service Highlights

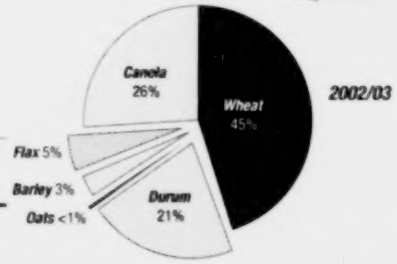
- 76.7 % of all movements were statutory movements
- Increase of 3,969 total trips
- 68.6 % increase in trips and 70.5% increase in tonnage
- 9,754 CWB hopper car movements (837,004 tonnes)
- Wheat accounts for 51.7% of all statutory movements

Summary of all grain Statutory movements in SGCC cars

	2003/2004		2002/2003	
Commodity	Total Trips	Tonnes	Total Trips	Tonnes
Wheat	5,047	452,840	2,615	233,450
Durum	1,319	118,824	1,204	107,820
Oats	110	7,611	6	436
Barley	872	71,155	168	13,457
Rye	43	3,771	0	0
Flax	291	21,952	268	20,098
Canola	2,072	160,851	1,524	115,698
Total	9,754	837,004	5,785	490,959



Major Grains carried to port 2003/04 - 2002/03



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- 68.6 % increase in trips and 70.5% increase in tonnage
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Summary of all grain Statutory movements in SGCC cars

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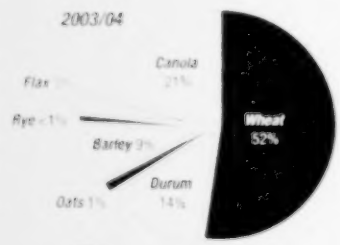
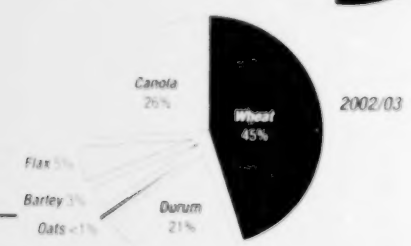
Durum	1,319	118,824	1,204	107,820
Oats	110	7,611	5	436
Barley	872	71,155	165	13,457
Rye	43	3,771	0	0
Flax	291	21,952	266	20,098
Canola	2,072	160,851	1,524	115,698
Total	9,754	837,004	5,785	490,959

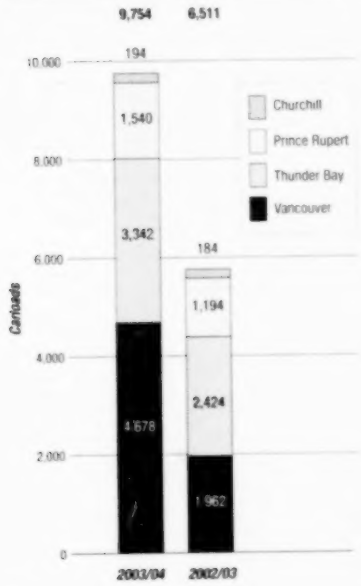




Major Grains carried to port
2003/04 - 2002/03

Canola. As the agricultural sector has diversified and evolved, this list was expanded and now includes approximately 60-grain crops or products as listed under Schedule II of the Canada Transportation Act. Movements of these Schedule II commodities, to western Canadian ports for export, are considered statutory movements and the railways are allowed to use SGCC hopper cars at no charge.

Statutory Grain Services–Destinations 2003/04-2002/03



Alternate Use/Commercial Service

The rebound in crop production in western Canada combined with a shortage of hopper cars in the system resulted in a very profitable year for the Corporation. Record setting alternate use revenues of $1.766 million dollars were realized. This is an increase of over $450,000 from 2002/03. The alternate use revenues earned are split very evenly between the two major railways, CN and CPR with 49.3% and 50.7% respectively.

Alternate use movements increased by over 50% from the previous crop year, with 2,964 trips (247,380) as compared to 1,954 trips (160,410 tonnes) in the 2002/03 crop year. However as a percentage of total CWB movement, the alternate use movements decreased slightly to 23.3%, this is approximately 2% below the previous crop year.

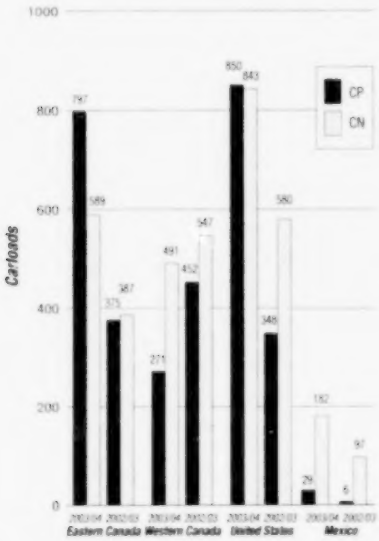
Alternate use movements are those movements outside the parameters of the 1981 Operating Agreement. The Corporation has formal alternate use agreements signed with CN and CPR for the railways to transport commodities domestically on a fee for service basis. The majority of the movements are for the carriage of the six major grains to domestic destinations throughout Canada, the United States and Mexico.

The number of trips to Mexico has been increasing over the past few years. In 2003/04, the Corporation reported 211 trips. The majority of the hopper cars were assigned to CN. This is more than double the amount reported in the 2002/03 crop year. Total revenue from the Mexico trips is $155,975. The main commodities being transported to Mexico are wheat and canola.

The major non-grain commodity transported in the SGCC hopper car fleet is potash. In the 2003/04 crop-year, the Corporation's hopper cars transported approximately 45 carloads of potash. In the winter of 2003, the Corporation signed a short term agreement with CPR to transport potash throughout North America. At that time, the Corporation's cars were not being utilized to full capacity as a result of the poor crop production. The majority of the contract was completed in the 2002/03 fiscal year. However, a few hopper cars remained in potash service until November 2003. The total revenue earned in the 2003/04 fiscal year from potash was $10,816.

The Corporation's mandate is to provide the hopper cars as a first priority for statutory grain service. However, in order for the Corporation to maximize the benefit of the hopper car fleet for the province in general, management must continue to seek revenue generating alternatives for the hopper car fleet.

Commercial Grain Services– Destinations 2003/04-2002/03

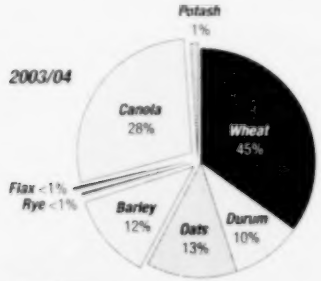


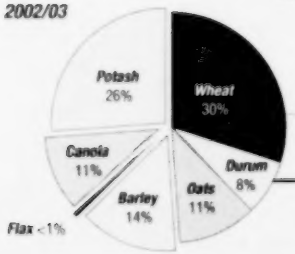
2003/04 Alternate Use/Commercial Service Highlights

- $1.766 Million in alternate use revenue
- 34.2% increase in revenue from 2002/03
- 2,964 CWB hopper car movements (247,380 tonnes)
- $10,816 in total potash revenues
- $155,975 of revenue from movements to Mexico

Summary of all grain Commercial movements in SGCC cars

	2003/2004		2002/2003	
Commodity	Total Trips	Tonnes	Total Trips	Tonnes
Wheat	1,230	109,125	825	71,888
Durum	365	33,145	228	20,569
Oats	461	34,575	299	22,425
Barley	419	33,860	288	21,978
Rye	21	1,575	3	225
Flax	13	975	2	150
Canola	455	34,125	309	23,175
Total	2,964	247,380	1,954	160,410

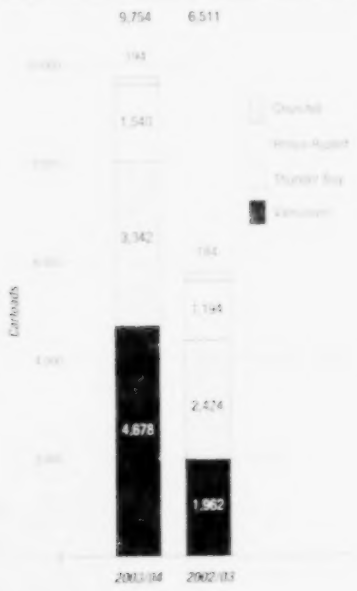




Major Commodities carried — Alternate Use 2003/04 - 2002/03

Canola. As the agricultural sector has diversified and evolved, this list was expanded and now includes approximately 60-grain crops or products as listed under Schedule II of the Canada Transportation Act. Movements of these Schedule II commodities, to western Canadian ports for export, are considered statutory movements and the railways are allowed to use SGCC hopper cars at no charge.

Statutory Grain Services–Destinations 2003/04-2002/03



Alternate Use/Commercial Service

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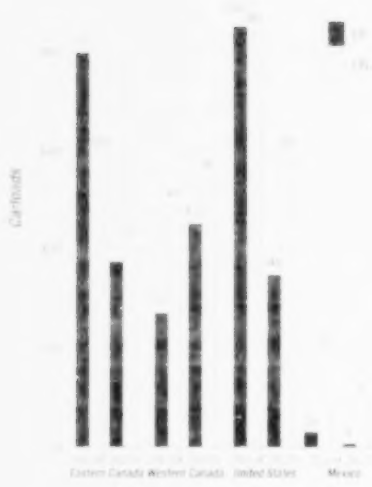
Commercial Grain Services–Destinations 2003/04-2002/03



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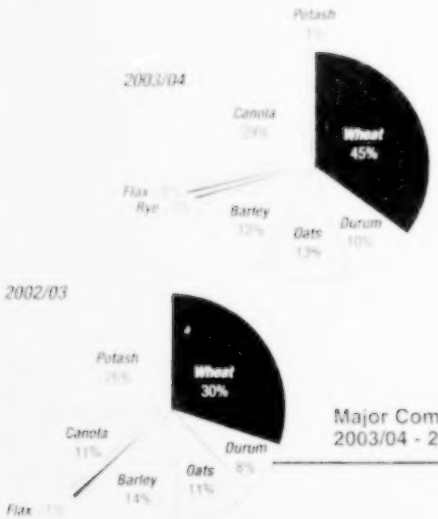
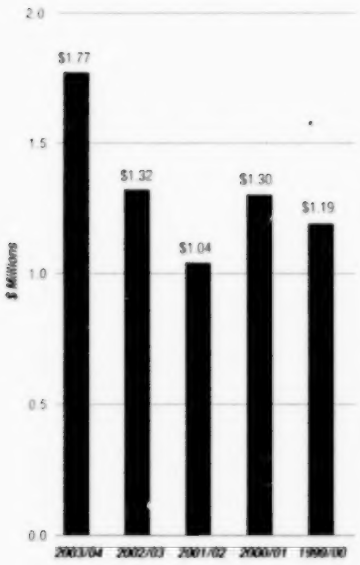


Major Commodities carried — Alternate Use
2003/04 - 2002/03

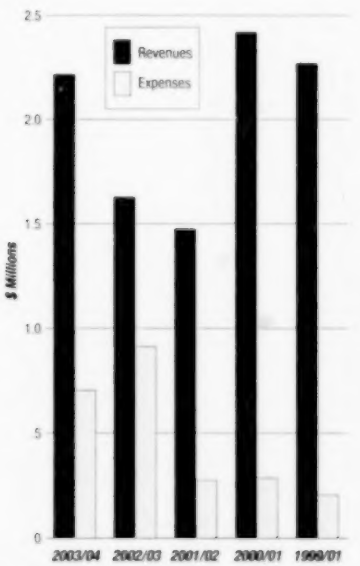
Financial Highlights

for the year ended July 31, 2004		*Budget*		*Actual*
Total Revenue	**$**	**2,984,000**	**$**	**2,212,841**
Car Leasing		800,000		1,766,041
Car Leasing - Fleet Upgrade & Maintenace		2,085,000		-
Interest		25,000		83,623
Consulting Services		16,000		29,149
Destroyed cars		58,000		334,029
Total expenditure	**$**	**2,799,537**	**$**	**704,203**
Excess of Revenue over Expenditure	**$**	**184,463**	**$**	**1,508,638**
Total Assets			**$**	**4,610,973**
Due from General Revenue Fund Operating				1,550,330
Due from General Revenue Fund Reserve				2,653,294
Investment in West Central Road & Rail Ltd.				407,349
Physical Assets Hopper Cars			**$**	**21,467,463**
Payments made to General Revenue Fund			**$**	**1,000,000**

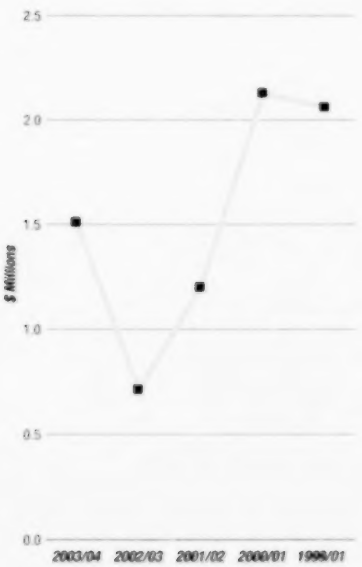
Commercial Service Revenues



Revenues – Expenditures



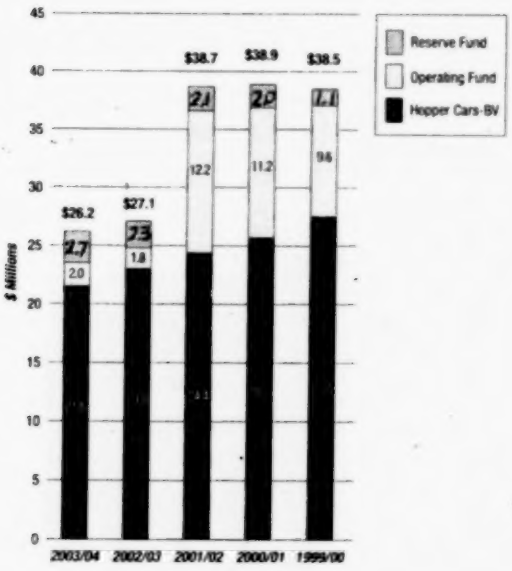
Excess of Revenues over Expenditures



Financial Statements

2003/2004

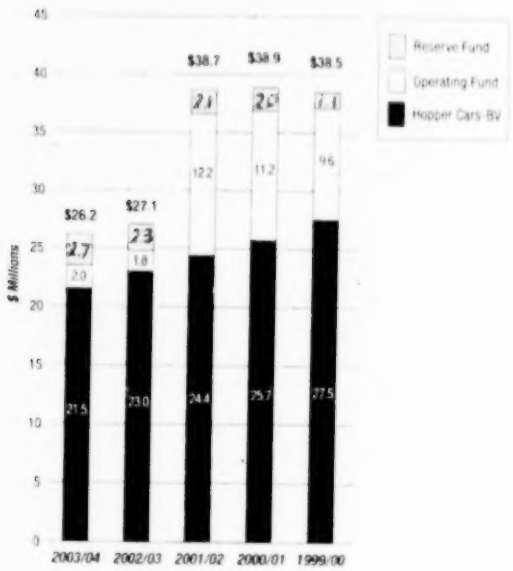
Total Assets



Financial Statements

2003/2004

Total Assets



Management's Report

The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgement where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2004.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2004.

The financial statements have been audited by the Corporation's external auditors, Skilnick Besler Miller Moar & Co., Chartered Accountants, and approved by the Provincial Auditor.

Bernie Churko
President
Regina, Saskatchewan

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 2004, and the statements of operations, net assets and cash flows for the year then ended. The corporation's management is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Skilnick Besler Miller Moar & Co.

SKILNICK BESLER MILLER MOAR & CO.
Chartered Accountants

Melville, Saskatchewan
September 2, 2004

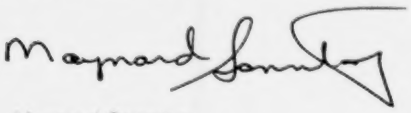
Statement of Financial Position

Statement 1

as at July 31, 2004	*2004*			*2003*
	Operating Fund	**Reserve Fund**	**Total**	**Total**
Assets				
Current Assets				
Cash	$ 50,704	$ Nil	$ 50,704	$ 12,377
Due from General Revenue Fund *(Note 4)*	1,073,723	2,531,290	3,605,013	3,214,230
Accounts receivable *(Note 6)*				
- accrued interest	1,732	4,180	5,912	8,125
- car leasing	424,171	117,824	541,995	475,344
	$ 1,550,330	$ 2,653,294	$ 4,203,624	$ 3,710,076
Other Assets				
Investment in shares of West Central Road & Rail Ltd. (Note 9)	407,349	Nil	407,349	407,349
Total Assets	$ 1,957,679	$ 2,653,294	$ 4,610,973	$ 4,117,425
Liabilities and Net Assets				
Accounts payable *(Note 6)*	$ 37,631	$ Nil	$ 37,631	$ 30,552
Wage deductions payable	7,062	Nil	7,062	5,927
Goods and services taxes payable	8,698	Nil	8,698	32,002
Total liabilities	53,391	Nil	53,391	68,481
Net assets - Statement 3	1,904,288	2,653,294	4,557,582	4,048,944
Total liabilities and net assets	$ 1,957,679	$ 2,653,294	$ 4,610,973	$ 4,117,425
Investment in property, plant and equipment *(Note 7)*			$ 21,467,463	$ 23,031,076

See accompanying notes to financial statements

Approved on behalf of the Board:



Maynard Sonntag
Chairperson of the Board

Statement of Operations

Statement 2

for the year ended July 31, 2004

	Budget	Operating Fund	Reserve Fund	2004 Total	2003 Total
Revenue					
Car leasing - *Alternate Use (Note 2)*	$ 800,000	$1,766,041	$ Nil	$1,766,041	$1,315,865
Car leasing - *Fleet upgrade and maintenance*	2,085,000	Nil	Nil	Nil	Nil
Interest *(Notes 4 and 5)*	25,000	27,098	56,525	83,623	158,600
Consulting services	16,000	29,148	Nil	29,148	92,299
Compensation for destroyed grain cars *(Note 2)*	58,000	Nil	334,029	334,029	57,615
Total revenue	$2,984,000	$1,822,287	$ 390,554	$2,212,841	$1,624,379
Expenditure					
Salaries and benefits *(Notes 5 and 8)*	404,000	389,503	Nil	389,503	373,250
Farmer Rail Car Coalition Funding *(Note 10)*	94,387	94,387	Nil	94,387	355,613
Travel and sustenance	30,000	24,681	Nil	24,681	31,571
Fleet upgrade and maintenace	2,085,000	30,000	Nil	30,000	Nil
Administration *(Schedule 1)*	185,200	165,632	Nil	165,632	152,867
Total expenditure	$2,799,537	$ 704,203	$ Nil	$ 704,203	$ 913,301
Excess of revenue over expenditure for the year	$ 184,463	$1,118,084	$ 390,554	$1,508,638	$ 711,078

See accompanying notes to financial statements

Statement of Net Assets

Statement 3

for the year ended July 31, 2004	*2004*			*2003*
	Operating Fund	**Reserve Fund**	**Total**	**Total**
Net assets, beginning of year	$ 1,786,204	$ 2,262,740	$ 4,048,944	$ 14,337,866
Excess of revenue over expenditure for the year	1,118,084	390,554	1,508,638	711,078
	$ 2,904,288	$ 2,653,294	$ 5,557,582	$ 15,048,944
Dividends paid to General Revenue Fund	(1,000,000)	Nil	(1,000,000)	(11,000,000)
Net assets, end of year	$ 1,904,288	$ 2,653,294	$ 4,557,582	$ 4,048,944

See accompanying notes to financial statements

Statement of Cash Flows

Statement 4

for the year ended July 31, 2004	*2004*	*2003*
Cash flows from operating activities		
Excess of revenue over expenditure for the year	$ 1,508,638	$ 711,078
Cash flows from non-cash working capital - see summary below	(79,528)	(266,647)
	1,429,110	444,431
Cash flows from investing activities		
Dividends paid to General Revenue Fund	(1,000,000)	(11,000,000)
	(1,000,000)	(11,000,000)
Increase (decrease) in cash and cash equivalents	429,110	(10,555,569)
Cash and cash equivalents, beginning of year	3,226,607	13,782,176
Cash and cash equivalents, end of year	$ 3,655,717	$ 3,226,607
Summary of cash and cash equivalents		
Cash	$ 50,704	$ 12,377
Due from General Revenue Fund	3,605,013	3,214,230
	$ 3,655,717	$ 3,226,607
Summary of cash flows from non-cash working capital		
(Increase) Decrease in Assets		
Accounts receivable	$ (64,438)	$ (309,964)
	(64,438)	(309,964)
Increase (Decrease) in Liabilities		
Accounts payable	7,079	18,090
Wages deductions payable	1,135	5,927
Goods and services taxes payable	(23,304)	19,300
	(15,090)	43,317
	$ (79,528)	$(266,647)

See accompanying notes to financial statements

Notes to Financial Statements

1. Status of the Corporation

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of *The Saskatchewan Grain Car Corporation Act.*

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. Operating Agreement

The Corporation entered into an operating agreement dated February, 1981, with the Canadian National Railway Company, Canadian Pacific Railway Limited and The Canadian Wheat Board which allows the railways to lease the Corporation's cars free of charge for statutory grain service. Statutory grain service refers to the movement to port of 59 grain products as listed under Schedule II of the *Canada Transportation Act.*

The Corporation entered into an Alternate Use Agreement dated August, 1999, with Canadian National Railway Company and Canadian Pacific Railway Limited. With the approval of the Corporation, the railways may lease the Corporation's cars for commercial service, provided the cars are surplus to the requirements for statutory grain service. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash. The railways are required to pay an agreed leasing charge to the Corporation for these movements.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with industry standards.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railway responsible is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the Association of American Railroads. All amounts received from the railways as compensation for destroyed cars are placed in a reserve fund to be used for the purchase of new cars.

The Corporation gave notice to Canadian National Railway Company, Canadian Pacific Railway Limited and The Canadian Wheat Board to terminate the 1981 Operating Agreement effective July 31, 2004. The Corporation gave notice to Canadian National Railway Company and Canadian Pacific Railway Limited to terminate the 1999 Alternate Use Agreements effective July 31, 2004. The Corporation is in the process of negotiating new agreements.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

The Corporation uses the accrual basis of accounting. Where the Corporation is the lessor, rental revenues from car operating leases is recognized as the service is provided to the lessee and collection is reasonably assured.

The investment in shares of West Central Road & Rail Ltd. is accounted for by the cost method with earnings reflected only to the extent of dividends received.

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

The financial records of the Corporation are segregated into two funds:

(i) *Operating Fund,* which records the operating revenues and expenditures of the Corporation; and

(ii) *Reserve Fund,* which records the compensation received from the railways for destroyed cars. All interest earned from cash balances is retained by the Reserve Fund.

4. Due from General Revenue Fund

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2003/2004 is 2.41% (2002/2003 2.87%).

5. Related party transactions

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:

		2004		*2003*
Revenue				
Government of Saskatchewan (General Revenue Fund) – interest earnings	$	83,623	$	158,600
Expenditure				
Department of Highways and Transportation				
President Services	$	122,566	$	87,867
Fleet Manager services	$	Nil	$	77,955
Computer Information Services	$	2,000	$	Nil
Telecommunications	$	1,541	$	Nil
Saskatchewan Property Management				
Office rent	$	61,204	$	15,749
Printing and copying	$	375	$	243
Office supplies	$	1,695	$	27,188
Consultants	$	485	$	Nil
Miscellaneous	$	23	$	1,198
Saskatchewan Telecommunications				
Telecommunication services	$	8,033	$	8,452
Capital Pension Plan				
Employee pension plan contributions	$	12,338	$	7,326
Workers' Compensation Board (Saskatchewan)	$	2,610	$	1,896
Minister of Finance				
Notary Membership	$	200	$	Nil
Computer Maintenance	$	2,000	$	Nil
Telecommunications	$	1,541	$	Nil
Saskatchewan Institute of Applied Science and Technology				
Training Fees	$	210	$	Nil

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

6. Financial instruments

Significant terms and conditions
There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing or certainty of future cash flows.

Credit risk
The Corporation is exposed to credit risk from the potential non-payment of accounts receivable. The Corporation's receivables consist of amounts due from Canadian National Railway Company, Canadian Pacific Railway Limited and accrued interest on funds invested by the Provincial Government. The credit risk on collection of the receivable balance is minimal.

Fair value
The carrying amount of cash, due from General Revenue Fund, accounts receivable and accounts payable approximate fair market value due to their immediate or short term nature.

7. Investment in property, plant and equipment

In 1992, the Corporation wrote off its property, plant and equipment consisting entirely of hopper cars due to the inability to project with reasonable certainty, the possible future net cash flows from usage. The following is provided for information purposes.

The Corporation purchased 1,000 covered hopper cars in 1981 at a cost of $54,214,423. As of July 31, 2004, 61 cars have been destroyed; the remaining 939 cars are in service.

The investment in the hopper cars is amortized on a straight line basis over an expected useful life of 40 years.

as at July 31	*2004*			*2003*		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Rolling stock	$ 50,902,390	$ 29,434,927	$ 21,467,463	$ 51,554,980	$ 28,523,904	$ 23,031,076

	2004	*2003*
Amortization	$ 1,281,286	$ 1,289,325
Less: Gain on disposals	(42,505)	(7,642)
Net for the year	$ 1,238,781	$ 1,281,683

8. Pension plan

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 2004 amounted to $12,338. (2003 - $7,326).

9. Investment in shares of West Central Road & Rail Ltd.

The Corporation owns 4,000 Class E shares of the capital stock of West Central Road & Rail Ltd. This equity investment represents the corporation's commitment to support the Research and Development aspects of Phase II (the demonstration phase) of the Grain Logistics Pilot Project. Phase II of the Pilot Project is intended to provide complete logistical services from farm-gate to port in the case of export movements, and farm-gate to commercial processing facility in the case of movements to domestic destinations throughout North America.

The Class E shares are transferable, non-voting except for the entitlement to elect 2 of 13 directors and participate equally in dividends and the distribution of assets on liquidation or wind-up. After June 28, 2006, the issuer may repurchase or the Corporation may retract a minimum of 1,000 shares at their fair market value as established by an independent appraiser.

The carrying value of this investment approximates fair market value.

10. Farmer Rail Car Coalition Agreement

The Corporation has signed an agreement on October 16, 2002 with the Farmer Rail Car Coalition (FRCC) to contribute up to $450,000 in cash and/or in kind contributions to support the research and development by the FRCC of a proposal by the FRCC to purchase on behalf of Western Canadian Farmers the Federal Fleet of approximately 13,000 rail hopper cars. Total contributions to date are $450,000 consisting of $328,553 in cash and $121,447 in kind.

The FRCC shall repay the full amount (including the value of in kind contributions) plus interest at Royal Bank prime plus one percent from the time of payment, to the Corporation if the FRCC is successful in purchasing any portion of the Federal Fleet. Repayment will occur on the date of the first payment by the FRCC to Canada on account of the purchase price for the Federal Fleet.

Upon acquisition of any portion of the Federal Fleet by the FRCC, the FRCC shall negotiate in good faith with the Corporation for the purchase of the entire Corporation Fleet plus the other assets of the Corporation on the terms of the 1996 Agreement between her Majesty the Queen and the FRCC.

Schedule of Administrative Expenses

Schedule 1

for the year ended July 31, 2004	*2004* Budget	*2004*	*2003*
OPERATING FUND			
Advertising and promotion	$ 1,000	$ 776	$ Nil
Bank charges	200	293	202
Computer equipment	10,000	4,966	7,397
Computer maintenance	2,000	2,000	1,272
Computer software	5,000	834	18,943
Conferences and professional development	5,000	3,909	Nil
Consulting services	50,000	42,979	36,192
Miscellaneous	3,000	2,058	877
Office equipment and supplies *(Note 5)*	2,000	5,040	37,257
Printing, copying, postage and courier *(Note 5)*	10,000	8,064	8,286
Professional services	11,000	10,800	8,315
Rent – office space *(Note 5)*	55,000	61,874	15,831
Subscriptions and memberships	13,000	10,579	8,422
Telecommunications *(Note 5)*	18,000	11,460	9,873
Total – to Statement 2	$ 185,200	$ 165,632	$ 152,867

See accompanying notes to financial statements

Expenditure Disclosure

for the year ended July 31, 2004

Employee receiving payments totaling $50,000 or more for salaries or wages:

		2004		*2003*
Bernard Churko, Management Agreement Department of Highways and Transportation	$	122,566	$	87,867
Shannon Lindholm		50,268		46,265
Kelly Moskowy		88,973		77,955
Sandra Rathgeber		Nil		50,009
Tim Shoulak		70,575		68,854
Total	$	332,382	$	330,950

Suppliers/consultants receiving payments totaling $50,000 or more for goods and/or services:

		2004		*2003*
Farmer Rail Car Coalition	$	94,387	$	355,613
Saskatchewan Property Management		63,783		44,378
Total	$	158,169	$	399,991

Statistical Summary

Year *as of July 31, 2004*	Cars in Service			Cars Destroyed			Car Leasing Revenues
	CN	CP	Total	CN	CP	Total	
1979/80	-	-	-	-	-	-	-
1980/81	477	273	750	-	-	-	-
1981/82	477	523	1,000	-	-	-	$ 56,294
1982/83	477	523	1,000	-	-	-	$ 11,850
1983/84	475	523	998	2	-	2	-
1984/85	475	523	998	-	-	-	-
1985/86	475	523	998	-	-	-	-
1986/87	474	523	997	1	-	1	-
1987/88	474	523	997	-	-	-	-
1988/89	474	523	997	-	-	-	$ 1,099,441
1989/90	474	523	997	-	-	-	$ 92,310
1990/91	473	523	996	1	-	1	$ 146,343
1991/92	473	522	995	-	1	1	$ 268,342
1992/93	473	522	995	-	-	-	$ 326,047
1993/94	472	522	994	1	-	1	$ 816,083
1994/95	472	518	990	-	4	4	$ 628,807
1995/96	470	514	984	2	4	6	$ 946,233
1996/97	468	514	982	2	-	2	$ 991,526
1997/98	468	509	977	-	5	5	$1,089,116 *(See note 1, page 27)*
1998/99	468	509	977	-	-	-	$ 1,305,593
1999/00	464	508	972	4	1	5	$1,189,104 *(See note 2, page 27)*
2000/01	458	498	956	6	10	16	$ 1,304,835
2001/02	455	498	953	3	-	3	$ 1,033,158
2002/03	454	497	951	1	1	2	$ 1,315,865
2003/04	442	497	939	12	-	12	$ 1,766,041
Total	442	497	939	35	26	61	

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	$	1,507,271
- Bad debt allowance as shown in 1997/98 Financial Statement	($	160,000)
- Bad debt allowance as shown in 1998/99 Financial Statement	($	53,543)
- Settlement recovery with CP for western Canada commercial moves form 1991 to 1997 realized in 1998/99	($	204,612)
Car leasing revenue actually realized in 1997/98	$	1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	$	1,639,104
- Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	($	450,000)
Car leasing revenue actually realized in 1999/00	$	1,189,104

Notes

Corporate Information

Board of Directors

as of July 31, 2004

Honourable Maynard Sonntag
Chairman of the Board
Minister Responsible for the Saskatchewan Grain Car Corporation
Minister of Highways and Transportation
(effective March 16, 2004)

Honourable Mark Wartman
Vice-chairman of the Board
Minister of Agriculture and Food
(effective March 16, 2004)

John Law
Deputy Minister
Department of Highways and Transportation
(effective July 27, 2004)

Doug Matthies
Deputy Minister
Department of Agriculture, Food and Rural Revitalization
(effective March 16, 2004)

Management

Bernard Churko
President
(effective June 22, 1993)

Kelly Moskowy
Manager of Fleet and Administrative Services
(effective October 1, 1998)

Tim Shoulak
Manager of Corporate Planning
(effective February 11, 2002)

Shannon Lindholm
Corporate Analyst
(effective August 1, 2002)

Suzi Best
Executive Administrator
(effective March 22, 2004)

For additional information:

Saskatchewan Grain Car Corporation
810-1801 Hamilton St.
Regina, Saskatchewan
S4P 4B4

Telephone: (306) 787-9461
Facsimile: (306) 798-0931
email: sgcc@highways.gov.sk.ca

Bad Orders

A bad order is a car that had been deemed mechanically unfit for service.

Car Cycles

A car cycle is the time for a car to complete a trip from origin, to destination, and back to the next origin.

Commercial Service

Commercial service is defined, as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of the Canada Transportation Act. For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets

Canada, United States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Metric tonne

A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger that a 2000 pound short ton.

Phosphate Rock

Also known as phos. rock, this product is the main source of phosphoric acid for phosphate fertilizers and industrial products. A form of calcium phosphate, it also contains other materials.

Potash

Typically denotes materials containing potassium, particularly potassium fertilizer. Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service

Statutory grain service is the transportation of commodities which are moved port for export as defined in Schedule II of the Canada Transportation Act. Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.

Saskatchewan
Grain Car
Corporation